

**Minority Business Development Agency National Director Ronald N. Langston  
Remarks to the National Small Business Week Procurement Awards Luncheon  
Washington, D.C.**

**MINORITY BUSINESS ENTERPRISE: THE NATIONAL PRIORITY**

Good morning. On behalf of the President of the United States, and the U.S. Secretary of Commerce Carlos M. Gutierrez, it is my great privilege and high honor to participate in National Small Business Week. To the award recipients and their families, my congratulations on your high achievement and deserved recognition. I especially want thank the sponsors for your generous support of National Small Business Week and your commitment to the growth and expansion of small and medium enterprises and, in particular, minority business enterprises.

Steve Preston, I thank you for the invitation to speak and in doing so give voice at SBA's National Small Business Week on the state of minority business enterprise. I also thank you for establishing SBA's Emerging 200 Initiative which focuses on underserved markets and assists minority and inner city entrepreneurs.

I congratulate you as the President's nominee to serve as the next U.S. Secretary for Housing and Urban Development. We have high expectations of you --- I know you will do well --- and you have my unconditional support.

My objective this afternoon is to: 1). Have a conversation about the lessons learned in pursuing minority business enterprise as a national priority; 2). Make the business case for free trade and the power of strategic alliances, and; 3). Discuss the challenges facing minority business enterprises.

**Lessons Learned**

Over the years I have consistently quoted the wisdom of Peter Drucker that "the United States is an entrepreneurial economy" and "the heart of entrepreneurship is innovation." When innovation is linked to a strategy of competitiveness the American entrepreneurial spirit will outperform any economy in the world. America must continue to lead the world in competitiveness, innovation and entrepreneurship. Our greatest resource and advantage in the world has always been our educated, hard working, ambitious people. Therefore, it is important for small and medium enterprises and, especially minority business enterprises, to see themselves as entrepreneurs in the U.S. and global economy. I have learned several lessons:

1. Innovation and competitiveness is the lifeblood of an entrepreneurial economy.
2. The business enterprise model must replace the traditional economic model.
3. There are three critical keys to entrepreneurial success.

- Access to capital
  - Education – (financial literacy)
  - Technology -- (the utilization of technology as a e-business tool)
4. Mastering the supply chain in the global economy will be a critical skill for MBEs.
  5. Free trade represents a unique competitive opportunity for MBEs.
  6. There must be an intelligent relationship between business and government.

## **The State of Minority Business Enterprises**

According to 1997 and 2002 data from the U.S. Census Bureau, minority firms are growing much faster than the national average. Each and every one of the 4.0 million minority owned firms are in the position to generate long-term employment and economic growth in their communities.

Since 1997, the number of Native Hawaiian and Pacific Islanders increased by 49%, African American firms grew by 45%; Hispanic firms grew 31%, Asian firms grew 24%. Total gross receipts for all minority owned firms was \$661 billion, up 12% over 1997. And, over this same time period, the number of people employed by minority owned firms grew by 4% to 4.7 million workers.

Yet, only 2% of all minority-owned firms have gross receipts of \$1 million or more and 84% have gross receipts less than \$100,000. I repeat, only 2% of all minority-owned firms have gross receipts of \$1 million or more and 84% have gross receipts less than \$100,000.

As we recognize Small Business Week, I believe it is a national imperative to stimulate the growth of small, medium and emerging business enterprises (many of whom are minority business enterprises) as part of a competitive strategy to sustain the long term global viability of the U.S. economy.

The private sector in cooperation with the public sector must aggressively pursue business and policy strategies which recognize the demographic changes underway in the United States. Investment in MBEs is in the strategic interest of the United States. Too often we have viewed MBEs from the margins. We have supported their success as a social activity and not a business imperative.

But, if the national minority business enterprise community does not grow in size, scale, and capacity, then we have failed in our mission. If the national minority business enterprise community is not generating wealth, America will not be prosperous. The business model of the immediate future will demand strong, viable and reliable domestic content supply chains that can serve as both independent and interdependent suppliers and contractors for U.S. businesses. This will require the transformation in our approach to teaching and managing business entrepreneurs.

## **The Traditional Model vs. the Enterprise Model**

I have learned from Dr. Michael Porter of Harvard University and the Inner City Competitive100 that central and inner city America is flush with opportunity and wealth creation. The entrepreneurial enterprise model must replace the traditional model. It is the difference of the past versus the future.

It requires a shift in thinking from one where the goal is to reduce poverty to a goal of creating jobs and wealth. It requires redirecting our focus on deficiencies and social needs to a focus on competitive advantage and investment. The new model challenges us to broaden our view of the economic space from a neighborhood to a region and to find our source of leadership from the private sector, not the government sector. Competitive advantage in the global economy is largely about "leadership" – not the size of one group over the other, but the quality of leadership.

## **Free Trade and Exports: The Power Strategic Alliances in the Global Economy**

Let me share with you some facts about U.S. exporting:

- U.S. exports of goods and services in 2007 increased by 12.6 percent over 2006 to \$1.6 trillion
- exports surged 16.6 percent in the year ending in January
- imports of goods and services increased 6 percent to \$2.3 trillion
- the trade deficit narrowed to \$709 billion in 2007

Total merchandise trade between the U.S. and its North American Free Trade Agreement (NAFTA) partners more than tripled in the first fourteen years of NAFTA. Combined trade is \$2.5 billion a day among NAFTA partners. That's \$1.7 million per minute. In fact, U.S. exports to Canada and Mexico increased from \$142 billion in 1993 to \$385 billion in 2007. The figure represents one-third of total U.S. merchandise exports. When you export, you sell more, you hire more and you keep our economy moving.

The ease of global transportation, the Internet, and government services such as the U.S. Foreign Commercial Services and the Overseas Private Investment Corporation, and SBA's International offices, continue to simplify the export process. U.S. exports are booming and at an all-time high. To keep the U.S. economy competitive and vibrant, we must purposefully encourage small and medium enterprises to export.

In 2006 there were about 239,000 small and medium size exporters in the U.S. representing 96 percent of all firms that export. One of the best ways to give our economy a boost is to increase the number of medium and small American companies that export. There are, however thousands not yet in the game.

One of the intriguing findings of a new MBDA report titled *The Characteristic of Minority Business Owners* is that minority firms are twice as likely to generate sales through exports compared to non-minority firms. Intuitively, this makes sense. After all, minority

entrepreneurs in the United States look and speak like the rest of world. MBDA believes that U.S. minority firms are a great American asset and that minority entrepreneurs have a competitive export advantage over others-- due in large part to their language capabilities, ancestral ties, cultural compatibility and business agility.

Consider this: With more than 70 percent of the world's purchasing power—and 95 percent of its population-- beyond U.S. borders, the time is right for more minority firms to expand and export their goods internationally.

### **Minority Business Enterprise: The Challenge**

The challenge minority business enterprises (MBE's) face today is the reluctance to recognize that the United States is fully engaged in the worldwide economy. Too many MBEs still define our neighborhood and our community as a five to ten mile radius from the front door. Too many of those in the private corporate sector see MBEs as marginal and run the risk of missing the dynamic changes and opportunities MBEs bring to the domestic and global marketplace.

The challenge we must accept is that we have a vital and integral role to play in the 21<sup>st</sup> Century worldwide economy. We must prepare to compete in the 21<sup>st</sup> Century economy. Preparation means positioning yourself to access capital. Preparation means understanding the value and importance of financial literacy, understanding how to excel at running the back room of your business. Preparation means understanding the value proposition of exporting and free trade through an alliance of strategic alliances.

### **Facing the Challenge of Change**

Between now and 2050 the fastest growing segment of the U.S. population will be among minorities. Equally significant is the growth in the U.S. labor force will largely come from the minority segments of the population. Much of minority growth will be fueled by immigration. The United States will once again become a "Nation of immigrants." The difference will be that the immigration will be people of color. The challenge for the United States is to embrace the demographic change.

Some will fear this change. I say, let us embrace and welcome the change. Some will complain about the burden and costs of immigration or the shifting of minority populations to majority status in some states. I say the positive rewards of inclusion, diversity and the growth of minority business enterprise will far outweigh the negative externalities based upon fear and ignorance.

It is a fact the United States, more than any other country in the world, looks and speaks like every other country in the world. This is our strength and competitive advantage in a 21<sup>st</sup> Century worldwide economy. We must see ourselves as contenders committed not merely to be participants, but winners, in the worldwide economy. Therefore, as President Lincoln one noted "... we must disenthral ourselves from dogmas of the

past..." and distance ourselves from those that seek shelter from the inward comfort of isolationism.

Let us prove once again to a doubting world and to ourselves, that we have the 'right stuff.' Let us demonstrate by our deeds, not our rhetoric, we have the skill and courage to reach out to Native peoples, Hispanics, Asians and others from distant lands and faraway shores. Let those of us from many hues and nationalities inform the doubters that "we too speak American."

Let there be no doubt in anyone's mind . . . "the success or failure of minority-owned businesses will increasingly drive the success or failure of the overall U.S. economy." That is why MBDA has deemed minority business enterprises as the national priority. We are committed to assisting minority business enterprises in taking charge of their destiny and realizing their dreams.

Finally, it is our assessment going forward that minority firms are critical to the overall success of the U.S. economy. As a Nation we must be more aggressive in linking small and medium enterprises from South and Central America, the Caribbean and Africa with minority business enterprises nationally. The SBA along with other Federal partners can assist in fostering strategic alliances between majority and women-owned firms to compete with the European Union and Asia, especially China's aggressive global outreach to emerging economies.

Ladies and gentlemen, those of you from the public, private and non-profit sectors --- and especially the entrepreneurs-- there is much yet to accomplish. As Robert Frost said, we must continue to "choose the road less traveled," "for we have promises to keep and miles to go before we sleep." Let us find inspiration from an old American gospel song and "march on until victory is won."

On behalf of the President of the United States, and the U. S. Secretary of Commerce, Carlos M Gutierrez, and to you Steve Preston and the SBA family, thank you.